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SUBJECT: CYPRUS: 2006 COUNTRY REPORT ON TERRORISM

REF: STATE 175925

Classified By: Ambassador Ronald Schlicher, Reasons 1.4 (b), (d)

**¶1.** (U) Per Reftel, Post offers the following input for the 2006 Annual Terrorism Report. A note on terminology is in order: Since 1974, Cyprus has been divided de facto into the Greek Cypriot government-controlled area, comprising the southern two-thirds of the island, and a northern third, administered by Turkish Cypriots. For clarity's sake, in this report we use interchangeably "Cyprus," the "Republic of Cyprus" ("RoC"), and "the south" when referring to the internationally recognized, government-controlled zone. We refer to the north as "the area administered by Turkish Cypriots" or "the Turkish Cypriot-controlled area." It is imperative to remember that the so-called "Turkish Republic of Northern Cyprus" ("TRNC") is not recognized by the United States or any country other than Turkey. The Embassy point of contact for this report is Laurent de Winter, who can be contacted via email at dewinterlm@state.gov.

General Assessment

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**¶2.** (SBU) Despite limited resources, Cyprus takes a clear stand against international terrorism and is supportive of U.S. counterterrorism efforts. The government continues to allow blanket overflight and landing rights to U.S. military aircraft supporting operations in Iraq and Afghanistan. However, the government has raised its concerns about the allegations in a Council of Europe report identifying Cyprus as a "staging post" for U.S. counterterrorism rendition flights. In addition, parliamentarians have called for inspections of all U.S. Government aircraft landing on the island. Cyprus is a party to all relevant UN conventions on terrorism, is generally supportive of international efforts to block and freeze terrorist assets, has implemented Financial Action Task Force (FATF) recommendations, and conforms to European Union (EU) directives on counter-terrorism. In 2005, the director of the Cyprus Central Intelligence Service (KYP) drafted legislation to restructure, modernize, and strengthen Cyprus's intelligence-gathering capabilities. KYP submitted the legislation in 2006, but as of December, the parliament had not passed it.

**¶3.** (SBU) Additionally, Cyprus was the first EU member state to sign a shipboarding agreement with the United States under the auspices of the Proliferation Security

Initiative Agreement (PSI). Cypriot authorities in September boarded and searched a Panamanian-flagged vessel, the M/V Gregorio I, carrying military equipment from North Korea to Syria. They eventually released its cargo to Damascus, however, determining it did not constitute proscribed materiel. Cyprus has been slow to pass a new comprehensive law on arms sales, but authorities are close to agreement on the language of the draft legislation. Cyprus's legal framework for investigating and prosecuting terrorist-related activity remains relatively weak. In October, however, the legislature reached a political compromise to amend Chapter 17 of the Constitution, which concerns the right to privacy. The move paves the way for the government to introduce new legislation that would permit authorities to conduct wiretapping and sting operations (currently, evidence gathered via wiretaps or internet surveillance is not admissible in court.)

**¶4.** (U) The United States and the Republic of Cyprus cooperate closely on terrorist finance and money laundering issues. In the area administered by Turkish Cypriots, issues of status and recognition inevitably isolate and restrict the ability of Turkish Cypriot authorities to cooperate on counterterrorism. The "TRNC" cannot sign treaties, UN conventions or other international agreements. Moreover, the area administered by Turkish Cypriots lacks the legal and institutional framework necessary to combat money-laundering and terrorist financing effectively. Within these limitations, however, authorities in the Turkish Cypriot-controlled area have cooperated with the United States in pursuing specific CT-related objectives.

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Safe Haven

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**¶5.** (U) According to media reporting, the Kurdish Workers' Party (PKK)/Kongra Gel (KGK) has an active presence on both sides of Cyprus. The PKK reportedly uses the island as both a fundraising and transit point. Experts estimate the Kurdish community in the government-controlled area to number 1,500. Among Kurdish-origin Turkish settlers in the north, the KGK reportedly enjoys significant support. Cyprus maintains that it is fulfilling all responsibilities with respect to the EU designation of the PKK/KGK as a terrorist organization. Both RoC and Turkish Cypriot authorities believe there is little risk the PKK/KGK will conduct operations here and are reluctant to take any action that might make the island a potential target. In addition, Turkish authorities believe that the large Turkish troop presence in the north acts as a significant deterrent to open PKK/KGK activity. U.S. and Cypriot officials regularly discuss the PKK/KGK issue.

**¶6.** (U) Third-country nationals comprise approximately 10 percent of the Republic of Cyprus population. The asylee community is large and growing. There is concern here that this population represents a potential source of recruits for terrorist groups looking to extend their reach into Europe. Moreover, the UN-patrolled "Green Line" dividing north and south is relatively porous. Immigration controls are uneven, and it is relatively easy for asylum seekers to cross from the Turkish Cypriot-controlled area to the RoC. This represents a potential vulnerability and access point for terrorist groups seeking entry into an EU member state (the EU "acquis communitaire" currently is suspended in the north.)

**¶7.** (U) Turkish Cypriot authorities in 2005 adopted "legislation" strengthening controls against illegal immigration and tightening "citizenship" requirements. It is unclear, however, how well they are implementing the regulations. Turkish Cypriots contend that they now have a much better picture of the third-country population

crossing the Green Line toward government-controlled territory.

#### Terrorist Groups and Organizations on Cyprus

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**¶8.** (S) While there is no evidence of designated Foreign Terrorist Organizations (other than PKK/KGK) operating in Cyprus, there is a sizable and growing Jama'at al-Tabligh Islamic missionary society (JT) and Jama'at Islami Bangladesh (JIB) presence on island. Both of these south Asia-based, fundamentalist Islamic groups have a large following among the Pakistani, Afghani, Bangladeshi, and Sri-Lankan nationals resident here. Members of JIB, represented in Cyprus by the Islamic Forum Europe, raise significant sums of money to send back to JIB headquarters in Bangladesh. Both the JT and the JIB preach a very conservative form of Islam with an anti-western theme. Intelligence and law enforcement experts believe that JIB, in particular, has had a role in violent activities in Bangladesh. In addition, there is significant concern that JT and JIB both have links to Islamic militant groups in other parts of the world, which might target them (JT and JIB) for recruitment. While the activities of both are confined mainly to the government-controlled area of Cyprus, there is growing evidence they seek to expand their membership rolls in the north as well.

#### Cypriot Counterterrorism Cooperation

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**¶9.** (SBU) Cyprus's eastern Mediterranean location and the large volume of container traffic moving through its major ports makes the island potentially convenient for terrorist organizations seeking transshipment points for WMD and other items of concern. While RoC agencies responsible for nonproliferation assess there is only a small risk that illicit materials may move through transit cargo, the United States continues to push for increased maritime cooperation. In encouraging the RoC to create a more cohesive export control system and to endorse more proactive nonproliferation enforcement, the Embassy's

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Export Control and Border Security (EXBS) office provided training in 2006 to government enforcement entities. This included courses in Cyprus and the United States on topics such as air and seaport interdiction, commodity identification and hazardous material response, as well as issuance of, and training on, a nonproliferation database. Participants in the various programs came from myriad RoC agencies, including Customs, Police, and Commerce.

**¶10.** (SBU) In addition to EXBS activities, 2006 saw increased collaboration between the Embassy and the U.S. Defense Threat Reduction Agency (DTRA) in providing antiterrorism programming to Cyprus through its International Counterproliferation Program (ICP). Most notably, in October ICP provided an "Executive Seminar" on terrorist applications of weapons of mass destruction for 40 senior Republic of Cyprus officials. This seminar is the precursor to subsequent ICP training programs, and the Embassy expects ICP-provided training of RoC non-proliferation/counterterrorism officials to increase in **¶2007.**

**¶11.** (SBU) In the area administered by Turkish Cypriots, the question of political recognition again complicates the ability of the U.S., EU, and others to provide help to or engage in direct cooperation with Turkish Cypriot "Customs" and "Migration" authorities. Specifically, they require additional training in the areas of basic inspection and equipment familiarization/utilization.

**¶12.** (U) The United States and the Republic of Cyprus cooperate closely on issues related to terrorist finance

and money laundering. In 2005, the U.S. Financial Crimes Enforcement Network (FinCEN) and the Cypriot Financial Intelligence Unit (MOKAS) signed a Memorandum of Understanding designed to formalize and enhance their historically excellent relations. Throughout 2006, MOKAS proved a reliable Embassy interlocutor in combating terrorist financing.

¶13. (SBU) In the north, Turkish Cypriot authorities lack the legal and institutional framework to meet minimum international standards with regard to combating money laundering and terrorist finance. In addition, the north lacks modern audit control technology, relying instead on antiquated paper-based systems. Consequently, the Turkish Cypriot community's financial sector is vulnerable to abuse by criminals and terrorists.

¶14. (U) Nevertheless, the Turkish Cypriot community has taken some steps to prevent terrorist financing within its banking institutions. For instance, the "TRNC Central Bank" regularly asks financial institutions to search for assets linked to individuals or entities whom the U.S. and/or UN 1267 Committee has designated as terrorists. In September, Turkish Cypriot "parliamentarians" passed "legislation" designed to prevent money laundering and improve oversight over casinos, offshore banks, and currency exchange firms. The law appears a great improvement over the prior regulatory regime, but its effectiveness is as yet indeterminate.

¶15. (SBU) The Republic of Cyprus generally responds in a timely fashion to requests for assistance regarding threats against the Embassy. On two occasions in November, for example, the Embassy sought help, and each time, RoC police conducted independent, serious investigations. The Embassy has not always agreed on the punitive action the government has taken vis-a-vis suspected perpetrators, however. As a European Union member, Cyprus must comply with certain EU regulations that grant great protections to criminal suspects.

Schlicher